

**CHESANING-BRADY FIRE
ADMINISTRATIVE BOARD**

FINANCIAL STATEMENTS

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------------------------------------------|-------------------|
| Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Government Name Chesaning-Brady Fire Administrative Board | County Saginaw |
| Audit Date March 31, 2004 | Opinion Date August 17, 2004 | Date Accountant Report Submitted to State: 8-24-04 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

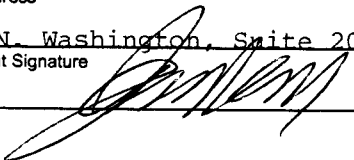
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|-------------------------------------------------------------------------------|----------|-----------------|--------------|
| The letter of comments and recommendations. | X | | |
| Reports on individual federal financial assistance programs (program audits). | | | X |
| Single Audit Reports (ASLGU). | | | X |

| | | | |
|-------------------------------------------------------------------------------------------------------------|----------------|-----------------|--------------|
| Certified Public Accountant (Firm Name) Demis and Wenzlick, P.C. | | | |
| Street Address 217 N. Washington, Suite 201 | City Owosso | State MI | ZIP 48867 |
| Accountant Signature  | | Date 8-23-04 | |



DEMIS and WENZLICK, P.C.

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INDEPENDENT AUDITOR'S REPORT

Chesaning-Brady Fire Administrative Board
Saginaw County, Michigan

We have audited the general-purpose financial statements of the Chesaning-Brady Fire Administrative Board, as of and for the year ended March 31, 2004. These general-purpose financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to, above present fairly, in all material respects, the financial position of the Chesaning-Brady Fire Administrative Board, as of March 31, 2004, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Our report of comments and recommendations has been submitted under separate cover dated August 17, 2004.

Demis and Wenzlick, P.C.

Certified Public Accountants

Owosso, Michigan
August 17, 2004

CHESANING-BRADY FIRE ADMINISTRATIVE BOARD
BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004

| | <u>GOVERNMENTAL FUND TYPES</u> | | <u>LONG-TERM</u> |
|------------------------------------|--------------------------------|---------------------------------|------------------|
| | <u>FIRE FUND</u> | <u>GENERAL FIXED ASSETS</u> | <u>DEBT</u> |
| ASSETS AND OTHER DEBITS | | | |
| ASSETS: | | | |
| Cash - Checking and Savings | \$289,282 | \$ -0- | \$ -0- |
| Certificates of Deposit | 49,418 | -0- | -0- |
| Taxes Receivable - Townships | 30,361 | -0- | -0- |
| Fixed Assets | -0- | 837,950 | -0- |
| Amount to be Provided | -0- | -0- | <u>93,363</u> |
| TOTAL ASSETS | <u>\$369,061</u> | <u>\$837,950</u> | <u>\$ 93,363</u> |
| LIABILITIES AND OTHER CREDITS | | | |
| LIABILITIES: | | | |
| Accounts Payable | \$ 16,614 | \$ -0- | \$ -0- |
| Current Maturities | -0- | -0- | <u>29,429</u> |
| TOTAL CURRENT LIABILITIES | \$ 16,614 | \$ -0- | \$ 29,429 |
| LONG-TERM DEBT | | | <u>63,934</u> |
| TOTAL LIABILITIES | \$ 16,614 | \$ -0- | \$ 93,363 |
| EQUITY: | | | |
| Investment in General Fixed Assets | \$ -0- | \$837,950 | \$ -0- |
| Fund Balances: | | | |
| Unreserved | <u>352,447</u> | <u>-0-</u> | <u>-0-</u> |
| TOTAL EQUITY | <u>\$352,447</u> | <u>\$837,950</u> | <u>\$ -0-</u> |
| TOTAL LIABILITIES AND EQUITY | <u>\$369,061</u> | <u>\$837,950</u> | <u>\$ 93,363</u> |

The accompanying notes are an integral part of the financial statements.

CHESANING-BRADY FIRE ADMINISTRATIVE BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

REVENUES:

| | |
|-----------------------------------|--------------|
| Contribution - Chesaning Township | \$157,950 |
| Contribution - Chapin Township | 4,164 |
| Contribution - Brady Township | 70,285 |
| Interest Income | 3,945 |
| Donations | 100 |
| Sign Sales, Copies, Misc. | <u>1,460</u> |
| TOTAL REVENUES | \$237,904 |

EXPENDITURES:

| | |
|-----------------------------------|------------------|
| Wages - Firefighters | \$ 30,464 |
| Payroll Taxes | 3,254 |
| Vehicle, Equip. Maint. & Supplies | 30,225 |
| Insurance | 18,892 |
| Fuel | 2,927 |
| Salaries - Board and Chief | 12,067 |
| Building Maintenance | 449 |
| Telephone, Pagers | 4,795 |
| Utilities | 4,271 |
| Professional Fees | 8,368 |
| Training, Education and Dues | 2,684 |
| Rent | 1,200 |
| Office Expenses | 1,466 |
| Prevention | 1,262 |
| Retirement/401K | 4,331 |
| Vehicle Improvement | 27,857 |
| Building Replacement | 49,500 |
| Interest Expense | <u>6,910</u> |
| TOTAL EXPENDITURES | <u>\$210,922</u> |

| | |
|--------------------------------------|--------|
| EXCESS OF REVENUES OVER EXPENDITURES | 26,982 |
|--------------------------------------|--------|

| | |
|--------------------------------------|----------------|
| Fund Balances - Beginning of Year | <u>325,465</u> |
|--------------------------------------|----------------|

| | |
|-----------------------------|------------------|
| FUND BALANCES - END OF YEAR | <u>\$352,447</u> |
|-----------------------------|------------------|

The notes to the financial statements are
an integral part of this statement.

CHESANING-BRADY FIRE ADMINISTRATIVE BOARD
STATEMENT OF REVENUES AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

| | <u>BUDGET</u> | <u>ACTUAL</u> | ACTUAL (OVER) UNDER <u>BUDGET</u> |
|-----------------------------------------|--------------------|-------------------|--------------------------------------------|
| REVENUES: | | | |
| Contribution-Chesaning Twp. | \$141,520 | \$157,950 | \$ (16,430) |
| Contribution-Chapin Twp. | 4,164 | 4,164 | -0- |
| Contribution-Brady Twp. | 51,416 | 70,285 | (18,869) |
| Interest Income | | 3,945 | (3,945) |
| Donations | | 100 | (100) |
| Sign Sales, Copies, Misc. | <u>1,612</u> | <u>1,460</u> | <u>152</u> |
| TOTAL REVENUES | \$198,712 | \$237,904 | \$ (39,192) |
| EXPENDITURES: | | | |
| Wages-Firefighters | \$ 46,436 | \$ 30,464 | \$ 15,972 |
| Payroll Taxes | 3,129 | 3,254 | (125) |
| Vehicle Equip. Maint. & Supplies | 27,320 | 30,225 | (2,905) |
| Insurance | 18,892 | 18,892 | -0- |
| Fuel | 2,594 | 2,927 | (333) |
| Salaries - Board & Chief | 2,166 | 12,067 | (9,901) |
| Building Maintenance | 415 | 449 | (34) |
| Utilities, Telephone, Pagers | 9,071 | 9,066 | 5 |
| Professional Fees | 8,706 | 8,368 | 338 |
| Training, Education & Dues | 2,765 | 2,684 | 81 |
| Rent | 1,200 | 1,200 | -0- |
| Office Expenses | 1,358 | 1,466 | (108) |
| Retirement | 3,859 | 4,331 | (472) |
| Vehicle Replacement | 34,958 | 27,857 | 7,101 |
| Building Replacement | 49,500 | 49,500 | -0- |
| Interest Expense | -0- | 6,910 | (6,910) |
| Fire Prevention | <u>1,262</u> | <u>1,262</u> | <u>-0-</u> |
| TOTAL EXPENDITURES | \$ <u>213,631</u> | \$ <u>210,922</u> | \$ <u>2,709</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | \$ <u>(14,919)</u> | 26,982 | \$ <u>(41,901)</u> |
| Fund Balances - Beginning of Year | | <u>325,465</u> | |
| FUND BALANCES - END OF YEAR | | <u>\$352,447</u> | |

The accompanying notes are an integral part of the financial statements.

CHESANING-BRADY FIRE ADMINISTRATIVE BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The organization was formed March 1, 1996, by the following units of government:

Township of Chesaning
Village of Chesaning
Township of Brady

The organization was formed pursuant to authority granted under P.A. 7 of 1967, the stated purpose of which is to provide fire protection for the residents of the units of government.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The government has the following fund types and account groups:

GOVERNMENTAL FUNDS

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

CHESANING-BRADY FIRE ADMINISTRATIVE BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SPECIAL REVENUE FUNDS

The special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes.

ACCOUNT GROUPS

The general fixed assets account groups is used to account for fixed assets.

DEPOSITS AND INVESTMENTS

The organization's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

INVENTORIES AND PREPAID ITEMS

The costs of governmental fund-type inventories and certain payments to vendors are recorded as expenditures when purchased.

COMPENSATED ABSENCES

There are no compensated absences or any retirement benefits.

BUDGETS AND BUDGETARY ACCOUNTING

The organization follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the treasurer submits to the Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. The budgets are approved by each of the controlling units of government.
3. Prior to April 1, the budget is legally enacted through Board approval.

CHESANING-BRADY FIRE ADMINISTRATIVE BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REPORTING ENTITY

For financial reporting purposes, in conformance with NCGA Statement No. 3, Defining the Governmental Reporting Entity, the Organization includes all funds, account groups, agencies, boards, commissions and authorities that are controlled by or dependent on the organization. Control by or dependence on the organization was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the organization to finance any deficits that may occur or receipt of significant subsidies from the organization.

Based on the foregoing criteria, there are no organizations that need to be included in the organization's report.

FIXED ASSETS

Fixed assets used in governmental fund types of the organization are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated cost by the units of government. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

OPERATING LEASE

The organization leases a building from the Village of Oakley. This building houses fire equipment. The lease for one year and is renewable, has been classified as an operating lease.

CHESANING-BRADY FIRE ADMINISTRATIVE BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18 (1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the organizations actual expenses and budgeted expenses of the budgetary funds reflect where the actual expenses exceed budgeted amounts. the over expenditure was funded by revenues in excess of budgeted amounts and available fund balance.

NOTE C- CASH

The Organizations deposits consist of interest bearing savings and checking accounts and certificates of deposit. At year end, the bank balance was essentially the same as the carrying value.

The Organization's deposits consisted of cash at two financial institutions.

MARCH 31, 2004

| <u>INSTITUTION A</u> | <u>AMOUNT</u> | <u>FDIC INSURED</u> | <u>UNINSURED</u> |
|--------------------------|------------------|-------------------------|------------------|
| Cash - Checking | \$ 10,123 | \$ 10,123 | \$ -0- |
| Cash - Savings | 223,000 | 100,000 | 123,000 |
| Certificate of Deposit | <u>49,418</u> | <u>-0-</u> | <u>49,418</u> |
| | <u>\$282,541</u> | <u>\$110,123</u> | <u>\$172,418</u> |
| <u>INSTITUTION B</u> | | | |
| Cash - Savings | \$ 56,159 | \$ 56,159 | \$ -0- |

CHESANING-BRADY FIRE ADMINISTRATIVE BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2004

NOTE D - FIXED ASSETS

The policy of the organization is to reflect the total vehicles and attachments thereon, in the financial statements. The assets not included in this report include tools, pagers, radios, air equipment, furnishings and computer equipment. The total cost of these items exceed \$250,000.

Additionally, the organization has the use of certain vehicles owned by the State of Michigan - DNR. The organization pays all associated costs for these vehicles, which have an estimated cost of \$8,200.

| | |
|-----------------------------------------------------------------|------------------|
| Estimated Original Cost of Fixed Assets as of March 31, 2003 | \$788,450 |
| Land Purchases During the Fiscal year | 49,500 |
| Removals During the Fiscal Year | <u>-0-</u> |
| FIXED ASSETS AT MARCH 31, 2004 | <u>\$837,950</u> |

The land and building in Chesaning, Michigan is owned by the Village of Chesaning. The organization has use of the building, at no cost, other than payment of expenses associated with the building.

NOTE E - LAND

In December 2003, the organization purchased 8 acres of land for \$48,000, plus costs. The organization is negotiating the subsequent purchase of additional acres after March 31, 2004. It is the intent of the organization to eventually construct a building and move the operations to this site.

NOTE F - PENSION PLAN

The organization has elected to allow its employees to participate in a pension plan. This pension plan is recognized under IRS Code Section 457. This pension is in conjunction with an existing plan that was established by Chesaning Township. It allows for up to 5% of pay of employees to be withheld. All pension withholding is matched by the board. This plan was effective April 1, 2000.



DEMIS and WENZLICK, P.C.

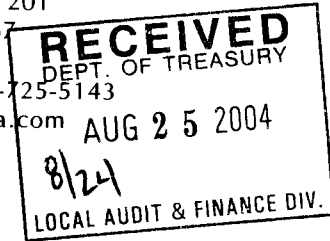
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Tammy Pappas
Peggy Ryan
Joyce M. Simmons
Geraldine Terry, C.P.A.

In compliance with the provisions of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we wish to render our report of comments and recommendations which were formulated as result of the examination our firm performed on the financial statements of the Chesaning-Brady Fire Administrative Board for the year ended March 31, 2004

As a result of our examination of the Board's financial statements, we make the following comments:

BUDGET

P.A. 621 of 1978, includes a budgeted compliance requirements in budgeting. It is required under this act that actual expenditures do not exceed budgeted expenditures. Any amendments to the budget must be made before March 31.

GENERAL LEDGER

The general ledger is an important accounting tool, an important internal control and a state mandated record. The Fire Board did maintain a general ledger during the year ended March 31, 2004, however, it was not balanced monthly.

DEPOSITS

All deposits should be identified by issuing a receipt.

DISBURSEMENTS

No checks should be written unless they are ready to distribute them. When bills are paid by statements all corresponding invoices should be attached to verify amount owed.

GASB 34

The Government Accounting Standard Board issued Statement #34. This statement significantly changes governmental financial reporting. It requires reporting of infrastructure, including related depreciation and it requires management discussion and analysis of the government's financial condition. The effective date of this statement is March 31, 2005.

The State of Michigan has indicated it will not enforce compliance with GASB 34. We will, at a later time, itemize both the advantages and disadvantages of compliance with this statement.

We would like to thank the board for the excellent cooperation we received in performing the board audit. If we can be of any further assistance to the board in implementing these recommendations or any other board business please contact us.

Dennis and Wengrich, P.C.

Certified Public Accountants

Owosso, Michigan
August 17, 2004